

Mortgage rates fall again, but few can buy, refinance

By **Alan Zibel**

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Mortgages are cheaper today than they've been in a half-century if only most people had the job security, the credit score and the cash to qualify.

The average rate for a 30-year fixed loan sank to 4.69 percent this week, beating the record low set in December and down from 4.75 percent last week, Freddie Mac said Thursday. Rates for 15-year and five-year mortgages were also at record lows.

Rates are at their lowest since the mortgage company began keeping records in 1971. The last time they were any cheaper was the 1950s, when most long-term home loans lasted 20 to 25 years.

Few experts, however, say they expect falling mortgage rates to energize the economy. Sales of new homes collapsed in May after an enticing tax credit expired.

"As long as prospective homebuyers are still concerned about their jobs and financial well-being, many will be reluctant to take the plunge, even though affordability has never been better," said Greg McBride, senior financial analyst with Bankrate.com.

Rates have fallen over the past two months as investors have become nervous about Europe's debt crisis and the global economy and have shifted money into safe Treasury bonds. The demand has caused Treasury yields to fall. Mortgage rates track those yields.

While mortgages are getting cheaper, low interest rates can also hurt Americans who are trying to save. Puny rates for savings accounts and CDs can be especially hard on people who are living on fixed incomes and earning next to nothing on their money.

Americans normally rush to refinance when rates plummet. But refinancing activity now amounts to less than half the level of early 2009, when long-term rates hovered near 5 percent, according to the Mortgage Bankers Association.

Many people who want to refinance — and are able to — have already done it, said Michael Fratantoni, vice president of research and economics at the trade group. And refinancing costs can total several thousand dollars.

"Rates haven't dropped low enough to justify a second refinancing," Fratantoni said. "The group of people who could potentially benefit is much smaller than it was 15 months ago."

Another factor: Many Americans owe more on their mortgages than their homes are worth and can't refinance through the usual channels. The federal government has launched several programs aimed at helping borrowers refinance if they owe up to 25 percent more than their home's value and have their loans guaranteed by mortgage giants Freddie Mac or Fannie Mae.

About 291,000 homeowners have participated as of March — a small fraction of the estimated 15 million homeowners who are "underwater" on their mortgages. In Nevada and Florida, where home prices have fallen 50 percent or more from their highs, neither record-low rates nor government help can rescue homeowners.

"It's not the desire to refinance. It's the ability to refinance," said Chris Brown, a loan officer with Trinity Mortgage Co. in Orlando, Fla.

Refinancing is considered worthwhile for homeowners who can shave at least three-quarters of a percentage point off the rates they pay now and plan to stay in their homes for a long time.

Besides the fees for the mortgage broker or lender, there are fees for title insurance, a new appraisal, document processing and other charges. And in "no fee" mortgages, costs are often added to the loan amount or the interest rate is higher.

To figure the national average, Freddie Mac collects mortgage rates each Monday through Wednesday from lenders around the country. Rates often fluctuate, even within a given day.

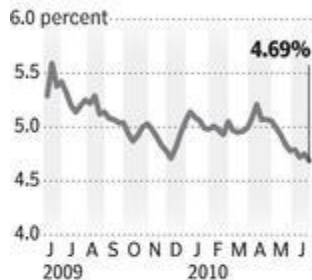
Rates on 15-year fixed-rate mortgages fell to an average of 4.13 percent. That was the lowest since at least 1991 and down from 4.2 percent a week earlier.

Rates on five-year adjustable-rate mortgages averaged 3.84 percent, down from 3.89 percent a week earlier. That was the lowest on Freddie Mac's records, which date to January 2005 for those loans.

Mortgage rates fall

The average rate on a 30-year fixed-rate mortgage fell to 4.69 percent this week, the lowest level on record.

Average 30-year fixed rate mortgage, weekly



Average fixed-rate mortgage

	HIGH	LOW
30-yr	Oct. 9, 1981 18.63%	June 24, 2010 4.69%
15-yr	Dec. 16, 1984 8.89%	June 24, 2010 4.13%
5-yr	June 29, 2006 6.39%	June 17, 2010 3.84%*

*Rate unchanged as of June 24, 2010
Source: Freddie Mac

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Courtesy of JB Goodwin